

CEO Business Review

Dairies

CORE MARKETS

Malaysia • Thailand

Singapore • Ice Cream



NEW Products

- F&N MAGNOLIA Gotcha Range for Kids in Thailand
- Healthier Choice Symbol Beverages Endorsed by the HPB in Singapore
- Range of New Products in Malaysia and Thailand

No. 1

F&N is the No. 1 Sweetened Condensed Milk in Malaysia



No. 1

CARNATION is the No. 1 Total Evaporated Milk Brand in Thailand



No. 2

F&N MAGNOLIA is the No. 2 Liquid Milk in Singapore





No.1

F&N KING'S Potong is the No.1 Potong Brand in Singapore

CEO Business Review

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DAIRIES MALAYSIA

FY2019 PERFORMANCE

The Malaysia F&B sector continued to be characterised by sustained downward price pressure and poor consumer sentiment. Despite challenging market conditions, Dairies Malaysia maintained its undisputed leadership position in the condensed and evaporated canned milk segment with *F&N*, *TEAPOT*, *GOLD COIN* and *CARNATION* brands. This year, our sales volume in evaporated canned milk and sweetened condensed milk each grew ahead of its respective categories. Accordingly, Dairies Malaysia FY2019 revenue grew 0.9%, to \$307.0m, boosted mainly by strong export volumes to halal core markets, China and the SEA region. Despite higher sales, Dairies Malaysia PBIT fell 5.6% to \$38.2m due to higher trade promotion.

To reinforce our canned milk leadership position in Malaysia, the Group will continue to innovate to achieve growth. We believe that there is scope to further deepen Dairies Malaysia's distribution coverage, as well as develop new product applications and packaging to generate sales. Following our hugely successful introduction of squeezable tube for sweetened condensed milk, the Group is continuing to look at applying new packaging formats to launch more innovative products. By leveraging its strong position in the canned milk category, Dairies Malaysia will also continue to focus on growing its presence in the RTD milk category. Building on the tagline, "PURE ENJOYMENT. PURE GOODNESS", it will continue with its targeted marketing activities to drive the growth of this segment in the years ahead. Leveraging the Group's in-house technical expertise, product offerings and trusted relationships with consumers, *F&N MAGNOLIA* and *FARMHOUSE* are well-positioned to support Dairies Malaysia's ambition of building its new pillar.

CANNED MILK: *F&N/TEAPOT/GOLD COIN/CARNATION*

Dairies Malaysia is the undisputed leader in Malaysia's condensed milk category. This year, despite intense market competition, each of Dairies Malaysia's sweetened and evaporated canned milk sales outpaced its respective segment, underscoring our ability to continue

to extract value in the canned milk segment. The strong performance was due to successful product launches, effective marketing activities and increased production capacity, bolstering Dairies Malaysia's position as the clear market leader in the country.

The Group reinforced its No.1 condensed milk position with *F&N*, *GOLD COIN* and *TEAPOT* with the introduction of F&N Full Cream Condensed Milk in milk sticks and squeeze tube packaging formats. The first-of-its kind in Malaysia's full cream sweetened condensed milk segment, the new on-the-go packaging provided consumers the convenience they need to enjoy the sweetness and goodness of *F&N*'s famous milky and creamy condensed milk, anytime and anywhere. Available in three flavours – full cream, chocolate and strawberry – these new products were unveiled at the launch of F&N 135th ANNIVERSARY FIESTA, a five-day on-ground event to reward customers for their unwavering support to the F&N brand for the past 135 years.

CARNATION also introduced a new product this year – the *CARNATION* Sweetened & Condensed Creamer. The new product roll out was held in conjunction with the *CARNATION* GO GOURMET COOKING SHOWCASE campaign, where celebrity chef created delicious gourmet dishes using the new product in a series of cooking demonstrations.

LIQUID MILK: NEW GROWTH PILLAR

F&N MAGNOLIA/FARMHOUSE

F&N MAGNOLIA continued to invest in online media campaigns as well as sponsorships to increase brand awareness and drive product trial.

One of the key events this year was the renewal of *F&N MAGNOLIA*'s packaging. *F&N MAGNOLIA* revitalized its packaging design for all its liquid milk products in Malaysia. Through the years, the brand has constantly stayed relevant to consumer needs and lifestyles by providing quality fresh wholesome nutritious milk to nourish Malaysians. *F&N MAGNOLIA* aims to play a bigger part in consumers' lives through product innovation, offering milk that is great-tasting and nutritious. In line with the new packaging roll

+0.9%

Dairies Malaysia revenue grew 0.9%. Due to higher trade promotion, its PBIT fell 5.6%

No.1

The Group reinforced its No.1 condensed milk position with *F&N*, *GOLD COIN* and *TEAPOT* in Malaysia; sales volume grew ahead of its respective categories

Introduced *F&N* Full Cream Condensed Milk in milk sticks and squeeze tube packaging formats, the first of its kind in Malaysia

Rolled out the new *CARNATION* Sweetened & Condensed Creamer in Malaysia

Renewal of *F&N MAGNOLIA* packaging design in Malaysia

out, *F&N MAGNOLIA* collaborated with Disney for joint promotions with favourite Disney movie character collectibles that consumers love. The brand advertised through digital social media, outdoor billboards, in-store displays and sampling activations to drive brand visibility and consumer trial.

DAIRIES THAILAND

FY2019 PERFORMANCE

Dairies Thailand continued to excel as the Group's best performing unit. This year, driven by successful marketing and branding initiatives for domestic and Indochina markets, along with capacity expansion, Dairies Thailand FY2019 revenue grew 9.9%, to \$620.8m. Boosted further by lower input costs and favourable translation effects, its PBIT surged 36.6%, to \$118.4m. In constant currency, Dairies Thailand FY2019 PBIT grew 31.5%.

Despite the current competitive landscape, Dairies Thailand was able to maintain its leading canned milk position with *TEAPOT* and *CARNATION* brands, and continued to outperform its competitors in the condensed milk and evaporated milk categories, achieving volume share gains. The better-than market performance was due to its ability to innovate products that consumers love, supported by successful trade programmes, as well as its focus on expanding distribution across the country.

Dairies Thailand export markets of Cambodia and Laos continued to perform strongly. Higher exports from the expansion of *TEAPOT* Sweetened Beverage Creamer Squeeze Tubes to Indochina accounted for the strong performance. As a result of our intensified efforts to position *TEAPOT* as the preferred export brand, *TEAPOT* is now amongst the top canned milk brands in Cambodia and Laos.

Dairies Thailand will continue to invest for the long-term growth in our brands, assets and people. We will continue to focus on the execution of marketing activities and innovate to find the best solutions for our customers. We will leverage our brand strength and established distribution network to grow our positions in the RTD milk segment in Thailand; and reinforce our leading positions in canned and sterilized milk segments through innovation and renovation and brand support. In addition to driving domestic volume, we will also continue to look to increase our exports and seek to expand the market for our products regionally by expanding our sales and distribution networks and increasing our product offerings.

CANNED MILK: CARNATION

CARNATION, one of Nestle's brands licenced to F&N, remains the favourite brand in the canned milk sector in Thailand. Since securing the manufacturing, marketing and distribution rights of *CARNATION* in 2007, the brand has grown from strength to strength. Through targeted brand marketing initiatives and expansion of hawker

coverage, *CARNATION* was able to grow volume and reinforce its image as the premium and preferred choice in food and beverage applications. Today, *CARNATION* is the No.1 Evaporated Milk brand in Thailand.

In 2007, the Group acquired relevant Nestle's production facilities and equipment in Thailand, along with the *TEAPOT* brand and licensing rights to some of Nestle's canned and sterilised milk brands. Nestle's trademark licence agreement was subsequently renewed in 2015 for 22 years, until 2037, for the manufacturing and distribution of Nestle's products – *CARNATION* and *BEAR BRAND* in Singapore, Thailand, Malaysia, Brunei and Laos.

This year, *CARNATION* ran a three-month long campaign, *CARNATION AROI THUENG JAI*, *ARO I GRAI KAB NADECH*, using outdoor, digital and print advertising platforms to reach consumers. The campaign covered both point-of-purchase advertising – sampling, shelf talkers and promotion – and off-premise advertising which included decoration of pushcarts, restaurants and coffeeshops in *CARNATION* livery. Rolled out nationally from March to June 2019, the campaign resulted in double-digit volume growth during this period.

CANNED MILK: TEAPOT

Riding on the launch of *TEAPOT*'s popular sweetened condensed milk in squeezable tube last year, Dairies Thailand recently added another flavour to its range of convenience on-the-go squeezable tubes – *TEAPOT* Caramel with added fresh milk, the first and only caramel flavoured sweetened condensed milk in squeezable tube in Thailand. Supporting the launch was a series of marketing activities, including television commercials, digital and mobile campaigns, extensive nationwide sampling and various point-of-sales initiatives. As a result of the successful marketing campaign, *TEAPOT* gained volume and market share.

+9.9%

Dairies Thailand revenue grew 9.9%; PBIT surged 36.6%

***TEAPOT* is now amongst the top canned milk brands in Cambodia and Laos**

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NEW PRODUCTS launched in Thailand

- ***TEAPOT* Caramel with added fresh milk**
- ***F&N MAGNOLIA Plus Lactose-Free Plain***
- ***F&N MAGNOLIA Plus Lactose-Free Peppermint Brownie***
- ***F&N MAGNOLIA Plus Lactose-Free Vanilla White Chocolate***
- ***F&N MAGNOLIA Ginkgo Plus Milk in Salted Caramel***

No. 1

***CARNATION* is the No.1 evaporated milk brand in Thailand**

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Dairies

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LIQUID MILK: *F&N MAGNOLIA* AND *BEAR BRAND*

Dairies Thailand extended its *F&N MAGNOLIA*'s offering of UHT milk to include a premium lactose-free range – *F&N MAGNOLIA* Plus Lactose Free Plain, *F&N MAGNOLIA* Plus Lactose Free Peppermint Brownie and *F&N MAGNOLIA* Plus Lactose Free Vanilla White Chocolate. *F&N MAGNOLIA* successfully ran a targeted online campaign coupled with in-store sampling to garner awareness.

The Group gained a 6% of lactose free segment market share. More recently, Dairies Thailand added a new caramel flavoured milk to its *F&N MAGNOLIA* Plus Ginkgo range of malt, chocolate and plain flavoured UHT milk. Our increasing product offering in the UHT milk segment allows us to continually meet the diverse and changing needs of our consumers. We expect our focus on this segment will contribute to the sales growth of Dairies Thailand.

BEAR BRAND continued to educate consumers on the nutritional importance of folate, especially to women. This year, *BEAR BRAND* collaborated with Nestle Mom & Me in giving out *BEAR BRAND* High Folate Sterilised Milk to mothers who were in their first trimester of pregnancy. As part of the in-store promotional exercise, soon-to-be mothers were provided with product knowledge and sampling.

DAIRIES SINGAPORE

FY2019 PERFORMANCE

This year, Dairies Singapore continued to excite the market by introducing new and healthier products. It expanded its *F&N MAGNOLIA* Plus milk range with the introduction of *F&N MAGNOLIA* Plus Fresh Milk with Kurma, as well as limited-edition *F&N MAGNOLIA* Lo-Fat Higher-Cal Purple Taro Fresh Milk. *F&N MAGNOLIA* also launched a new reduced sugar yoghurt smoothie, *F&N MAGNOLIA* Summer Peach Yoghurt Smoothie with Pear Bits. *F&N FRUIT TREE* Fresh Wonders – the premium pasteurised juice range of *F&N FRUIT TREE* Fresh – launched another chia seed juice drink, *F&N FRUIT TREE* Fresh Wonders Kale, Spinach & Broccoli Juice Drink with Organic Chia Seeds in the local market. Supported by launch campaigns, these new products generated positive response and helped boost sales and market shares.

LIQUID MILK: *FARMHOUSE* AND *F&N MAGNOLIA*

In the Christmas festive season, *FARMHOUSE* launched a new limited-edition *FARMHOUSE* Peppermint Chocolate Flavoured Milk that brought a perfect combination of peppermint, chocolate and fresh milk. Available during the festive season, this new addition delighted fans with farm fresh milk from Australia with a refreshing delicious burst of cool peppermint. To create awareness and generate trials, *FARMHOUSE* rolled out a two-month long campaign supported by point-of-sales materials, online advertising, in-store sampling and PR activities.

F&N MAGNOLIA, Singapore's trusted brand of milk for over 80 years continues to delight consumers with great tasting milk, innovative products and exciting collaborations with Walt Disney. The new addition to the *F&N MAGNOLIA* Fresh Milk lineup were the *F&N MAGNOLIA* Plus Fresh Milk with Kurma, and the limited-edition *F&N MAGNOLIA* Purple Taro Fresh Milk. *F&N MAGNOLIA* continues to reinforce its position as the leading and trusted milk brand in Singapore.

YOGHURT DRINK: *F&N MAGNOLIA*

This January, *F&N MAGNOLIA* added a delicious, fat-free new flavour to its no-fat yoghurt smoothie range. *F&N MAGNOLIA* Summer Peach Yoghurt Smoothie with Pear Bits is absolutely fat-free, and made from real fruit juice with added juicy pear bits. This bio-live yoghurt contains not only live cultures, which are necessary for a healthier digestive system, it also contains calcium, a mineral essential for building strong bones. *F&N MAGNOLIA* Summer Peach Yoghurt Smoothie with Pear Bits, just like its other yoghurt smoothies, carries the HPB's Healthier Choice logo. To drive awareness, the rollout of this new flavour was supported by both digital and in-store advertising.

JUICE: *F&N FRUIT TREE FRESH*

F&N continued to respond to consumers' desire for healthier beverage options by adding another no-sugar variant to its *F&N FRUIT TREE* Fresh Wonders range. Launched in February, *F&N FRUIT TREE* Fresh Wonders Kale, Spinach & Broccoli Juice Drink with Organic Chia Seeds is made from 100% juice with no added sugar! This healthy, antioxidant-rich juice blend comprises a healthy

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NEW PRODUCTS launched in Singapore, including

- *F&N MAGNOLIA* Plus Kurma
- *F&N MAGNOLIA* Purple Taro
- *F&N MAGNOLIA* Summer Peach Yoghurt Smoothie with Pear Bits
- *F&N FRUIT TREE* Fresh Wonders Kale, Spinach & Broccoli Juice Drink
- *FARMHOUSE* Peppermint Chocolate Flavoured Milk

No. 1

F&N KING'S Potong remains the No. 1 Potong brand in Singapore

blend of three super vegetables (kale, spinach and broccoli) with organic chia seeds, the much-loved superfood.

Awarded HPB's Healthier Choice symbol, one serving of the *F&N FRUIT TREE* Fresh Wonders Kale, Spinach & Broccoli Juice Drink fulfils the recommended daily vitamin C intake and the daily requirement of 2+2 servings of fruits and vegetables. To further build awareness and drive product trial, *F&N FRUIT TREE* Fresh Wonders focused its consumer engagement initiatives on digital platforms, outdoor and sampling activities, extending its reach to more consumers both on-ground and on its social media pages.

DAIRIES ICE CREAM

MALAYSIA

On the back of successful marketplace execution, new product introductions and effective marketing campaigns, *F&N KING'S* Potong cemented its position as the leader in the potong ice cream category in Malaysia.

In March, in conjunction with the Hari Raya festivities, *F&N KING'S* unveiled the new *F&N KING'S* Potong Signature Onde Onde, an all-time favourite flavour amongst locals. *F&N MAGNOLIA* also rolled out a limited-edition superheroes ice cream range. In collaboration with Warner Brothers, three limited-edition variants from the *F&N MAGNOLIA* Justice League range were introduced. Supported by digital and strong point-of-purchase and other in-store programs, the campaign successfully elevated *F&N MAGNOLIA's* presence in the market.

In addition to introducing new products to excite the locals, F&N also secured the contract to supply ice cream to the Malaysia Airlines ("**MAS**"), the national carrier of Malaysia. As part of the collaboration, F&N would supply delicious, bite-sized ice cream to passengers flying to Japan, Hong Kong and Australia. In addition to reaching wider customer base, the contract with MAS underscores our ability to meet stringent food safety requirements imposed by the airline.

Besides our contract with MAS, F&N has also made further inroads into the convenience sector. Through various programs, we successfully expanded our ice cream freezer placements to a convenience retail chain store, MyNews, and more than 300 petrol marts minimarts and provision shops across Malaysia.

SINGAPORE

F&N KING'S Potong remains the No.1 potong brand in Singapore. This year, *F&N KING'S* Potong captivated fans with the launch of *F&N KING'S* Potong Signature Onde Onde in March. Made with real grated coconut and infused with a delicious

gula-melaka flavoured filling, *F&N KING'S* Potong once again excited taste buds with much fanfare throughout the island. Supported by roadshows, online and digital advertising and in-store sampling across major retailers in Singapore, *F&N KING'S* Potong Signature Potong Onde Onde successfully raised brand awareness and drove trials.

Another addition to the *F&N KING'S* Grand family is the *F&N KING'S* Grand Mint ice cream stick. Featuring the familiar crunchy chocolate coating and creamy ice cream core, which is synonymous with *F&N KING'S* Grand, this new introduction also comes with a touch of refreshing mint, crispy wafer bits and roasted almonds.

F&N MAGNOLIA Wafer is a classic ice cream, loved and enjoyed by Singaporeans. In October, its three popular flavours – Chocolate, Durian and Yam – were joined by two new exciting flavours – Blueberry and Mango. *F&N MAGNOLIA* Wafer ice cream is the delectable sweet treat conveniently packed for everyone's enjoyment. *F&N MAGNOLIA* brought this classic ice cream closer to home through effective advertising and roadshows in the marketplace.

F&N MAGNOLIA Mag-A-Cone also expanded its offerings with the introduction of the new *F&N MAGNOLIA* Mag-A-Cone Strawberry. *F&N MAGNOLIA* Mag-A-Cone Strawberry boasts a delicate balance of sweet and tangy tastes with the crunch of an ice cream cone, offering a delightful indulgence that is guaranteed to please ice cream fans.

THAILAND

FY2019 was another exciting year for *F&N MAGNOLIA* as it rolled out a slew of new products from its ice cream range in Thailand.

First up was the *F&N MAGNOLIA* Gotcha range. This year it extended its offerings by introducing three new cartoon character ice cream variants to capture the hearts and minds of kids. Launched during the summer months, *F&N MAGNOLIA* Gotcha introduced the *F&N MAGNOLIA* Gotcha Koala, a bubble-gum flavoured ice cream in the shape of a koala; *F&N MAGNOLIA* Doraemon Bell, a refreshing grape and strawberry flavoured ice cream inspired by the popular Japanese manga character, Doraemon; and the *F&N MAGNOLIA* Gotcha Cool Gel Grape, a new grape-flavoured ice cream. These new flavours were met by strong positive response.

In response to the increasing demand in ice cream variety, distinct tastes and consumption convenience, *F&N MAGNOLIA* further expanded its on-the-go ice cream range with the introduction of a limited-edition flavour, *F&N MAGNOLIA* Wafer Taro, and *F&N MAGNOLIA* Sundae Strawberry cup this year. These conveniently packaged ice creams are the perfect treats for all to enjoy.

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Ice Cream introduced 25 NEW PRODUCTS, including

- ***F&N KING'S* Potong Signature Onde Onde**
- **Range of *F&N MAGNOLIA* Justice League ice confection**
- ***F&N KING'S* Grand Mint ice cream stick**
- ***F&N MAGNOLIA* Wafer ice cream in two flavours, Blueberry and Mango**
- ***F&N MAGNOLIA* Mag-A-Cone Strawberry**
- ***F&N MAGNOLIA* Gotcha Koala, Doraemon Bell and Cool Gel Grape**